



Economic Impact Analysis Virginia Department of Planning and Budget

11 VAC 10-20-200 – Virginia Racing Commission Request for Racing Days June 2, 2003

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The proposed change will provide discretion to the Virginia Racing Commission (the Commission) to establish a deadline for a licensee to place a request for racing days.

Estimated Economic Impact

Current regulations require the licensee to submit the request for racing days for the following calendar year to the commission no later than September 1. The proposed amendment will allow the commission to set a final submission date at any time at its discretion. Currently, Colonial Downs located in New Kent is the sole entity with a license for the ownership and operation of a racetrack to conduct a horse race meeting with pari-mutuel wagering privileges in the Commonwealth. Thus, this change would specifically affect Colonial Downs.

The two main rationales for regulating horse racing activities are ensuring minimum health and safety levels during racing activities and ensuring fairness in pari-mutuel wagering. In the absence of regulatory requirements, it may not be in the best interest of an owner or

operator licensee to provide these features. Thus, these regulations protect the interests of parties involved in horse racing. However, other than the conduct of wagering, horse racing is very similar to variety of many other sports competition activities. That is horse racing is a private business with the ultimate goal to make profits. Thus, from an economic point of view, the regulatory requirements must focus solely on ensuring minimum levels of health and safety and fairness in wagering. The economic value of horse racing to Virginia will likely be maximized when all commercial aspects of horse racing business are left to the discretion of the licensee so that it can maximize profits.

Under the current regulations, a licensee must submit the request for racing days for the following calendar year to the commission no later than September 1. This requirement seems to interfere with the commercial aspects of horse racing activities. In fact, according to the commission, making a request for racing days cannot be effectively accomplished by the September 1 deadline. The reason for this inconvenience is that both the licensee and horse owners prefer to have the results of the most recent meet prior to developing a schedule for the upcoming year. Thus, this current requirement is probably costly for the licensee and the horse owners as they are forced to make business decisions with less information. In addition, it is not clear how this September 1 deadline contributes to ensuring health and safety and fairness in wagering.

The proposed change will remove the requirement to submit the request for racing days by September 1 so that the commission may establish a date anytime during the year. Although not specified in the regulations, the commission currently plans to establish the November 1 as the deadline to submit the requests. While moving the deadline closer to the start of the new racing year will leave the schedule unknown for additional two months, leave less time to generate publicity for the races, and potentially have a negative impact on the licensee and the horsemen in terms of smaller purses, this change will allow the commission the flexibility to respond to requests it receives from the licensee. With this change, the licensee and the horsemen will have a chance to observe the results in the most recent additional two months and make a better-informed decision about the next year's schedule. Since, the rational licensee and horse owners will use this information to their advantage, this change is expected to provide net benefits to them. Thus, if the commission is responsive to the requests it receives from the

licensees in establishing the deadline for submission of racing days, this change will most likely benefit the licensees and probably the horse owners.

Businesses and Entities Affected

The proposed regulations primarily apply to owner's or operator's licensees who are authorized to conduct a horse race meeting with pari-mutuel wagering privileges. Currently, Colonial Downs is the only entity with an owner's and operator's license in the Commonwealth. In addition, approximately 1,947 horse owners would also be affected per year. Moreover, employees, particularly jockeys and exercise riders, and people attending races or placing wagers may be indirectly affected. There are approximately 500 employees working permanently or temporarily at the racetrack or satellite facilities. Of these, it is estimated that approximately 40 are jockeys and about 80 are exercise riders at a race meeting. The total attendance at the racetrack and the satellite facilities was 523,216 in fiscal year 2002.

Localities Particularly Affected

The proposed regulations apply throughout the Commonwealth.

Projected Impact on Employment

The proposed changes are not anticipated to have a significant effect on employment.

Effects on the Use and Value of Private Property

If this change improves the profits of the licensee and horse owners from better-informed scheduling, there is likely to be a positive impact on the value of businesses involved with operating a racetrack and owning a race horse.